

**ANNUAL
FINANCIAL REPORT
OF THE
CITY OF WEBSTER CITY, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

**CITY OF WEBSTER CITY, IOWA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Council
City of Webster City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of the City of Webster City, Iowa, (the City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2011 on our consideration of the City of Webster City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress on pages 3 through 11 and 51 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Webster City's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Certified Public Accountants

Le Mars, Iowa
January 26, 2011

CITY OF WEBSTER CITY
Management Discussion and Analysis
For the year ending June 30, 2010

As management of the City of Webster City, we offer readers of the City of Webster City's financial statements this narrative overview and analysis of the financial activities of the City of Webster City for the fiscal year ending June 30, 2010. This section should be read in conjunction with the financial statements and the accompanying notes that follow. It should also be noted that the information contained here will provide information on both the governmental operations and the business type activities of the City.

Financial Highlights

- Asphalt resurfacing and street repairs continue throughout the City using local option sales tax money that was designated for infrastructure projects.
- The City was able to provide a balanced budget without increasing the property tax levy.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Webster City's basic financial statements. The City of Webster City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Webster City's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the City of Webster City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the City of Webster City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving the rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Webster City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Webster City include public safety, public works, health and social services, culture and recreation, community and economic

development and general government. The business-type activities of the City of Webster City include the operation of electric, water, and sewer utilities.

The government-wide financial statements include not only the City of Webster City itself (known as the primary government), but also a legally separate airport for which the City of Webster City is financially accountable and a trust known as the Fred Fuller Trust that was created for the sole benefit of the City. Financial information for these component units are reported separately from the financial information presented for the primary government itself. The Electric, Water, and Sewer utilities function as departments of the City of Webster City, and therefore have been included as an integral part of the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Webster City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds for the City of Webster City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Webster City maintains 40 individual governmental funds. Information presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, child care center, second street reconstruction fund and debt service fund, of which all are considered to be major funds. Data from the other 36 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Webster City adopts an annual combined budget for all of its funds except private purpose trust funds and internal service funds. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

Proprietary Funds: The City of Webster City maintains different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Webster City uses enterprise funds to account for its Electric, Water, and Sewer utilities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Webster City's various functions. The City of Webster City

uses an internal service fund to account for self-insured dental/vision insurance. The internal service fund will be found in the governmental activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water and sewer utilities, all of which are considered major funds of the City of Webster City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Webster City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

The largest portion of the City of Webster City's net assets (68%) reflects its investment in capital assets (e.g. Land, Construction in progress, Land improvements, Structures and Improvements, Machinery and equipment, and Infrastructure) less any related debt used to acquire those assets that is still outstanding. The City of Webster City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Webster City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Webster City's Net Assets

	Governmental Activities		Business-type Activities		Total		Component Units	
	6/30/10	6/30/09	6/30/10	6/30/09	6/30/10	6/30/09	6/30/10	6/30/09
Current and other assets	\$ 9,053,420	\$ 8,713,367	\$ 15,120,449	\$ 13,771,851	\$ 24,173,869	\$ 22,485,218	\$ 3,023,827	\$ 2,636,436
Capital Assets, net of depreciation	26,922,443	26,001,000	20,850,951	20,798,656	47,773,394	46,799,656	33,180	34,020
Total Assets	35,975,863	34,714,367	35,971,400	34,570,507	71,947,263	69,284,874	3,057,007	2,670,456
Current and other liabilities	4,045,738	4,009,827	1,620,129	1,727,678	5,665,867	5,737,505	23,182	9,649
Non-current liabilities	5,142,401	5,764,160	3,430,414	3,839,331	8,572,815	9,603,491	-	-
Total Liabilities	9,188,139	9,773,987	5,050,543	5,567,009	14,238,682	15,340,996	23,182	9,649
Net Assets:								
Invested in capital assets, net of related debt	22,064,294	20,504,083	17,241,751	16,777,801	39,306,045	37,281,884	33,180	34,020
Restricted	2,156,382	2,955,753	399,168	362,974	2,555,550	3,318,727	2,994,393	2,594,861
Unrestricted	2,567,048	1,480,544	13,279,938	11,862,723	15,846,986	13,343,267	6,252	31,926
Total net assets	\$ 26,787,724	\$ 24,940,380	\$ 30,920,857	\$ 29,003,498	\$ 57,708,581	\$ 53,943,878	\$ 3,033,825	\$ 2,660,807

An additional portion of the City of Webster City's net assets (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balances of unrestricted net assets (\$15,846,986) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Webster City is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its separate business-type activities.

The government's net assets increased by \$3,764,703 during the fiscal year. Net assets in the governmental activities increased by \$1,847,344. A portion of the net asset increase for governmental activities was due to a prior period adjustment for \$372,295. The key element in the governmental activity increase is a result of the conservative budgeting and the close monitoring of the expenditures to ensure that the city maintain a strong financial position. Net assets in the business type activities increased by \$1,917,359. A portion of the net asset increase for business-type activities was due to a prior period adjustment for \$814,815.

Governmental Activities. Governmental activities increased the City of Webster City's net assets by \$1,475,049, thereby accounting for 57% of the total addition in the net assets of the City of Webster City. Key elements of this increase were as follows:

	City of Webster City's Changes in Net Assets				Total		Component Units	
	Governmental Activities	Business Type Activities						
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Revenues								
Program Revenues:								
Charges for Services	\$ 901,192	\$ 907,980	\$ 15,009,922	\$ 15,545,475	\$ 15,911,114	\$16,453,455	\$ 411,948	\$ 627,880
Operating Grants & Contributions	897,752	767,061	-	-	897,752	767,061	75,000	240,978
Capital Grants & Contributions	280,095	341,334	-	-	280,095	341,334	60,686	-
General Revenues:								
Property Taxes	3,692,467	3,866,485	-	-	3,692,467	3,866,485	-	-
Other Taxes	735,598	776,557	-	-	735,598	776,557	-	-
Other	308,812	326,054	1,622	189,800	310,434	515,854	304,291	(467,069)
Total Revenues	6,815,916	6,985,471	15,011,544	15,735,275	21,827,460	22,720,746	851,925	401,789
Expenses:								
Public Safety	1,821,426	1,789,413	-	-	1,821,426	1,789,413	-	-
Public Works	1,704,056	1,740,852	-	-	1,704,056	1,740,852	-	-
Health & Social Services	35,885	33,470	-	-	35,885	33,470	-	-
Culture & Recreation	1,362,834	1,352,019	-	-	1,362,834	1,352,019	-	-
Community & Economic Development	431,246	562,705	-	-	431,246	562,705	-	-
General Government	459,940	231,170	-	-	459,940	231,170	-	-
Interest & Fiscal Charges	207,152	279,214	-	-	207,152	279,214	-	-
Water Utility	-	-	1,266,070	1,335,517	1,266,070	1,335,517	-	-
Sewer Utility	-	-	1,367,864	1,360,234	1,367,864	1,360,234	-	-
Electric Utility	-	-	10,593,394	11,413,377	10,593,394	11,413,377	-	-
Component Units	-	-	-	-	-	-	478,907	541,216
Total Expenses	6,022,539	5,988,843	13,227,328	14,109,128	19,249,867	20,097,971	478,907	541,216
Change in Net Assets	793,377	996,628	1,784,216	1,626,147	2,577,593	2,622,775	373,018	(139,427)
Transfers	681,672	717,934	(681,672)	(717,934)	-	-	-	-
Change in Net Assets Before Transfers	1,475,049	1,714,562	1,102,544	908,213	2,577,593	2,622,775	373,018	(139,427)
Net Assets – Beginning (Restated)	25,312,675	23,225,818	29,818,313	28,095,285	55,130,988	51,321,103	2,660,807	2,800,234
Ending Net Assets	\$ 26,787,724	\$24,940,380	\$ 30,920,857	\$ 29,003,498	\$ 57,708,581	\$53,943,878	\$ 3,033,825	\$2,660,807

- Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements. Some examples of these items are as follows:
 - Purchase of equipment such as the police car for the police department and mower for the parks and recreation department were purchased this year.
 - Purchase of GIS software
 - The completion of the 2009 Resurfacing Project

The main sources of revenue for the governmental activities are from property taxes, other taxes (including local options sales tax), and grants and contributions. The City of Webster City received \$3,692,467 in property tax receipts, \$735,598 in other taxes, and \$1,177,847 in capital and operating grants and contributions.

Business-type Activities. The net assets of the business-type activities of the City of Webster City increased by \$1,102,544. Key elements of this increase are as follows:

- Expenses decreased approximately \$881,800, while revenues decreased \$723,731. This would cause net assets to increase greater than last year's change.

The goal of the City of Webster City is to have the revenues exceed the expenses in the Business-type activities. This goal was obtained for all utilities for the year ending 6/30/2010.

The electric utility is the main function of the City of Webster City Business-type Activities making up 76% of the total receipts. Since most sewer utility usage is based on a per unit water usage, with the exception of industrial sewer, the revenues for these two functions should remain close. Water rates increased starting with September 2009 billings. Rates are monitored in each of these utilities on an ongoing basis to maintain their financial stability.

Financial Analysis of the Government's Funds

As noted earlier, the City of Webster City uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Webster City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Webster City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Webster City's governmental funds reported combined ending fund balances of \$3,767,843; with the prior year being \$3,398,665, the increase for this year was \$369,178. \$712,409 of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to 1) pay debt service, 2) for trust related activities including perpetual care of the municipal cemetery, 3) to liquidate contracts and purchase orders of the prior period, or 4) for a variety of other restricted purposes.

Revenues from the City's governmental funds totaled \$6,833,927 with taxes accounting for \$4,462,696 of that amount. Intergovernmental activities, including state and federal grants, represented another \$1,163,134 of the total governmental revenues.

Total expenditures for the governmental funds were \$7,146,421. The six main activities that make up these expenditures are public works (\$1,459,489), public safety (\$1,796,386), culture and recreation (\$1,184,694), community and economic development (\$431,246), capital projects (\$1,186,393) and debt service (\$833,279).

The general fund is the chief operating fund of the City of Webster City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,777,404 while the total fund balance reached \$1,824,714. As a measure of the general fund's liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to the total fund expenditures. Unreserved fund balance represents 50% of the total general fund expenditures, while the total fund balance represents 51% of that same number.

The fund balance of the City of Webster City's general fund increased by \$105,786 during the current fiscal year.

The Child Care Center fund had a fund deficit of (\$587,250). The net increase in the fund balance during the current fiscal year was \$1,767 which was due to the receipt of the annual payments on the notes receivable.

The Second Street Reconstruction fund continued to have a deficit fund balance at the end of the fiscal year of \$966,663. The deficit fund balance for Second Street Reconstruction decreased by \$229,915. This deficit is due to the advance from the electric utility for the reconstruction of Second Street. Future tax increment receipts will pay the advance.

Proprietary Funds. The City of Webster City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net assets of the electric utility amounted to \$17,041,922, the water utility totaled \$9,020,996, and the sewer utility totaled \$4,857,939. The total change in net assets for these three funds was \$736,726, \$994,905, and \$185,728 respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Webster City's business-type activities.

Governmental and Proprietary Funds Budgetary Highlights

The City adopted one budget amendment during the year increasing expenditures by \$324,663 and decreasing budgeted revenues by \$373,210.

Capital Asset and Debt Administration

Capital Assets. The City of Webster City's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$47,773,394 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery and equipment, infrastructure. The total increase in the City of Webster City's investment in capital assets for the current fiscal year was 2%.

Major capital assets events during the current fiscal year included the following:

- The 2009 Resurfacing Project was completed on City streets.
- FEMA Buyout Program acquisitions
- City Hall roof was completed.
- Electric Line Department expansion

	City of Webster City's Capital Assets (Net of Depreciation)							
	Governmental Activities		Business Type Activities		Total		Component Units	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Land	\$ 4,555,895	\$ 4,563,364	\$ 774,866	\$ 786,184	\$ 5,330,761	\$ 5,349,548	\$ -	\$ -
Structures & Improvements	4,117,182	4,213,078	943,923	725,064	5,061,105	4,938,142	33,180	34,020
Improvements Other Than Structures	16,248,936	15,665,465	14,775,908	18,268,042	31,024,844	33,933,507	-	-
Machinery & Equipment	1,478,675	1,469,149	3,981,895	838,121	5,460,570	2,307,270	-	-
Construction in Progress	521,755	89,944	374,359	181,245	896,114	271,189	-	-
Total	\$ 26,922,443	\$ 26,001,000	\$ 20,850,951	\$ 20,798,656	\$ 47,773,394	\$ 46,799,656	\$ 33,180	\$ 34,020

Long-term debt. At the end of the current fiscal year, the City of Webster City had total bonded debt outstanding of \$8,488,149. Of this amount, \$3,015,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of Webster City's debt represents bonds secured solely by specified revenue source (i.e. revenue bonds).

Total outstanding liabilities includes an estimated liability for compensated absences. The total estimate for compensated absences is \$455,048 with \$263,239 being for governmental activities and \$191,809 being for business-type activities.

	General Obligation and Revenue Bonds				Total	
	Governmental Activities		Business-type Activities			
	6/30/10	6/30/09	6/30/10	6/30/09	6/30/10	6/30/09
General Obligation Bonds	\$ 2,705,000	\$ 3,310,000	\$ 310,000	\$ 365,000	\$ 3,015,000	\$ 3,675,000
Revenue Bonds	2,153,149	2,186,917	3,320,000	3,682,000	5,473,149	5,868,917
Total	\$ 4,858,149	\$ 5,496,917	\$ 3,630,000	\$ 4,047,000	\$ 8,488,149	\$ 9,543,917

The City of Webster City's total long-term liabilities decreased by \$883,530 (including notes payable and compensated absences) during the fiscal year.

State statutes limit the amount of general obligation debt, including tax increment financing. A government entity may issue to 5% of its total assessed valuation. The current debt limit for the City of Webster City is \$17,752,332. With the General Obligation Debt being \$3,015,000 and the Tax Increment Debt being \$2,153,149, the City of Webster City is at 29% of the debt limit.

Economic Factors and Next Year's Budgets and Rates

- The rollback will increase for residential property. There will be no change to commercial rollback, and agricultural rollback will decrease. Residential rollback will go from 46.9094 % of the assessed value to 48.5299%, commercial will remain at 100%, and agricultural property will go from 66.2715% to 69.0152%. Depending on valuations and the levy asking this could impact the property tax dollars received.
- City contribution rates for Municipal Police and Fire Retirement System of Iowa will increase from 19.90% to 24.76% in the next fiscal year.
- City contribution rates for Iowa Public Employees Retirement System of Iowa will increase from 6.95% to 8.07% in the regular class and from 9.95% to 9.97% in the protection class in the next fiscal year.
- Water and sewer rates were each increased during fiscal year 2009/2010. Electric rates remained unchanged. Rates will be increased for electric, water and sewer in fiscal year 2010/2011. Larger water and sewer rate increases were necessary, in large part, to fund the long-term capital improvement plans for both the water and wastewater plants, which are in need of improvements. All rate increases are necessary to maintain the financial stability of the three municipal utilities.
- The local option sales tax money will be used by the City for infrastructure improvements. This tax has an expiration date of June 30, 2012. It was on the November, 2010 ballot for re-approval but was marginally voted down. We hope that this will be brought up for re-election again this year as it provides money for infrastructure projects within our community. Without these funds, these projects may not be completed without the City issuing debt.
- Webster City has a strong industrial base. As a result, the current economic situation has created hardships for the citizens of our community. Layoffs and slow production in manufacturing has created a difficult economic environment.
- Webster City's largest employer, Electrolux, will cease production at the Webster City plant in March, 2011. This will provide additional financial challenges for our community. The City has hired an economic development consultant as well as hiring a firm to market and develop a new economic development website for the community, in an effort to bring new businesses and jobs to our community. A new electric car company is set to begin production soon, which will help provide employment opportunities for our available workforce.
- Hotel/motel tax funds continue to provide funding for special projects within the City. These funds are available for a variety of projects, with requests made to the Hotel/Motel Tax Board.

These factors, if known, were considered in doing the City of Webster City 20110/2012 Budget. If they were not known, then they will be considered with the City of Webster City 2010/2011 Amended Budget.

Request for Information

This financial report is designed to provide a general overview of the City of Webster City's finances for all those with an interest in the government's finances. For questions concerning any of the information provided in this report or requests for additional financial information, please feel free to contact the City of Webster City, Finance Director, 400 Second Street, PO Box 217, Webster City, IA 50595.

CITY OF WEBSTER CITY, IOWA
STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Webster City Airport Commission	Fuller Trust
ASSETS					
Cash and Cash Equivalents	\$ 4,240,668	\$ 8,272,850	\$ 12,513,518	\$ -	\$ 119,219
Investments	1,277,000	2,785,000	4,062,000	-	2,874,974
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	82,970	1,042,805	1,125,775	3,796	200
Taxes	30,732	-	30,732	-	-
Subsequent Year Taxes	3,371,438	-	3,371,438	-	-
Accrued Interest	1,514	1,625	3,139	-	-
Notes Receivable	797,617	-	797,617	-	-
Internal Balances	(1,623,642)	1,623,642	-	-	-
Due from Other Governmental Agencies	344,073	3,168	347,241	25,638	-
Inventories	89,021	858,677	947,698	-	-
Prepaid Assets	130,547	75,831	206,378	-	-
Land Held for Resale	221,699	-	221,699	-	-
Restricted Assets:					
Cash and Cash Equivalents	-	410,042	410,042	-	-
Bond Issue Costs	89,783	46,809	136,592	-	-
Land	4,555,895	774,866	5,330,761	-	-
Construction in Progress	521,755	374,359	896,114	-	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	21,844,793	19,701,726	41,546,519	-	33,180
Total Assets	35,975,863	35,971,400	71,947,263	29,434	3,027,573
LIABILITIES					
Accounts Payable	573,939	1,022,959	1,596,898	20,014	-
Accrued Wages	76,686	50,748	127,434	-	-
Other Accrued Expenses	13,848	8,476	22,324	-	-
Customer Deposits	-	148,071	148,071	-	-
Due to Other Governments	-	-	-	3,168	-
Claims Incurred But Not Reported	3,034	-	3,034	-	-
Deferred Revenue - Subsequent Year Taxes	3,371,438	-	3,371,438	-	-
Accrued Interest Payable	6,793	-	6,793	-	-
Payables from Restricted Assets:					
Accrued Revenue Bond Interest	-	10,875	10,875	-	-
Revenue Bonds - Current	-	379,000	379,000	-	-
Noncurrent Liabilities:					
Due within one year:					
General Obligation Bonds	430,000	55,000	485,000	-	-
Compensated Absences and Benefits	134,252	99,092	233,344	-	-
Due in more than one year:					
Revenue Bonds Payable	2,153,149	2,941,000	5,094,149	-	-
Unamortized Loss on Refunding	-	(20,800)	(20,800)	-	-
General Obligation Bonds	2,275,000	255,000	2,530,000	-	-
Other Post Employment Benefits	21,013	8,405	29,418	-	-
Compensated Absences and Benefits	128,987	92,717	221,704	-	-
Total Liabilities	9,188,139	5,050,543	14,238,682	23,182	-
NET ASSETS					
Invested in Capital Assets,					
Net of Related Debt	22,064,294	17,241,751	39,306,045	-	33,180
Restricted for:					
Debt Service	206,839	399,168	606,007	-	-
Specific Revenues	1,548,987	-	1,548,987	-	-
Endowments:					
Nonexpendable	400,556	-	400,556	-	-
Unrestricted	2,567,048	13,279,938	15,846,986	6,252	2,994,393
Total Net Assets	\$ 26,787,724	\$ 30,920,857	\$ 57,708,581	\$ 6,252	\$ 3,027,573

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 1,821,426	\$ 13,259	\$ 60,108	\$ -
Public Works	1,704,056	455,879	815,087	280,095
Health and Social Services	35,885	-	-	-
Culture and Recreation	1,362,834	417,732	22,557	-
Community and Economic Development	431,246	3,329	-	-
General Government	459,940	10,993	-	-
Debt Service	207,152	-	-	-
Total governmental activities	6,022,539	901,192	897,752	280,095
Business-Type Activities:				
Water System	1,280,938	2,069,336	-	-
Sewer System	1,368,688	1,468,492	-	-
Electric System	10,616,307	11,472,094	-	-
Total Business-Type Activities:	13,265,933	15,009,922	-	-
Total Primary Government	\$ 19,288,472	\$ 15,911,114	\$ 897,752	\$ 280,095
Component Unit:				
Webster City Airport Commission	\$ 210,140	\$ 35,413	\$ 75,000	\$ 60,686
Fuller Trust	\$ 268,767	\$ 376,535	\$ -	\$ -

General Revenues:
Property Taxes
Local Option Sales Tax
Hotel/Motel Taxes
Interest and Investment Gains and Losses
Refunds/Reimbursements
Miscellaneous
Interfund Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Prior Period Adjustment
Net Assets - beginning, as restated
Net assets - ending

Net (Expense) Revenue and Changes in Net Assets				
Governmental Activities	Business-Type Activities	Total	Component Unit	
			Webster City Airport Commission	Fuller Trust
\$ (1,748,059)		\$ (1,748,059)		
(152,995)		(152,995)		
(35,885)		(35,885)		
(922,545)		(922,545)		
(427,917)		(427,917)		
(448,947)		(448,947)		
(207,152)		(207,152)		
<u>(3,943,500)</u>		<u>(3,943,500)</u>		
	\$ 788,398	788,398		
	99,804	99,804		
	855,787	855,787		
	<u>1,743,989</u>	<u>1,743,989</u>		
<u>(3,943,500)</u>	<u>1,743,989</u>	<u>(2,199,511)</u>		
			\$ (39,041)	\$ 107,768
3,692,467	-	3,692,467	-	-
639,605	-	639,605	-	-
95,993	-	95,993	-	-
64,822	40,227	105,049	-	290,924
121,968	-	121,968	-	-
122,022	-	122,022	13,367	-
681,672	(681,672)	-	-	-
<u>5,418,549</u>	<u>(641,445)</u>	<u>4,777,104</u>	<u>13,367</u>	<u>290,924</u>
1,475,049	1,102,544	2,577,593	(25,674)	398,692
24,940,380	29,003,498	53,943,878	31,926	2,628,881
372,295	814,815	1,187,110	-	-
<u>25,312,675</u>	<u>29,818,313</u>	<u>55,130,988</u>	<u>31,926</u>	<u>2,628,881</u>
<u>\$ 26,787,724</u>	<u>\$ 30,920,857</u>	<u>\$ 57,708,581</u>	<u>\$ 6,252</u>	<u>\$ 3,027,573</u>

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
BALANCE SHEET
Governmental Funds
June 30, 2010

	General	Child Care Center	Second Street Reconstruction
Assets			
Cash and Cash Equivalents	\$ 1,278,863	\$ 1,767	\$ -
Investments	650,000	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	82,970	-	-
Taxes	16,969	-	-
Subsequent Year Taxes	1,711,100	-	-
Accrued Interest	584	314	-
Notes Receivable	-	562,367	-
Due from Other Funds	-	-	-
Due from Other Governmental Agencies	-	-	-
Inventories	38,110	-	-
Prepaid Assets	9,200	-	-
Total Assets	<u>3,787,796</u>	<u>564,448</u>	<u>-</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	105,208	-	-
Accrued Wages	67,835	-	-
Other Accrued Expenses	13,270	314	-
Due to Other Funds	35,710	589,017	966,663
Deferred Revenue - Subsequent Year Taxes	1,711,100	-	-
Deferred Revenue	29,959	562,367	-
Total Liabilities	<u>1,963,082</u>	<u>1,151,698</u>	<u>966,663</u>
Fund Balances:			
Reserved for:			
Debt Service	-	-	-
Perpetual Care	-	-	-
Inventories	38,110	-	-
Prepaid Items	9,200	-	-
Unreserved:			
General Fund	1,777,404	-	-
Special Revenue Funds	-	(587,250)	-
Capital Project Funds	-	-	(966,663)
Total Fund Balances	<u>1,824,714</u>	<u>(587,250)</u>	<u>(966,663)</u>
Total Liabilities and Equity	<u>\$ 3,787,796</u>	<u>\$ 564,448</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,886,645	\$ 4,167,275
200,000	427,000	1,277,000
-	-	82,970
6,545	7,218	30,732
664,070	996,268	3,371,438
333	283	1,514
-	235,250	797,617
-	489,512	489,512
-	344,073	344,073
-	50,911	89,021
10,164	-	19,364
881,112	5,437,160	10,670,516

-	394,197	499,405
-	8,851	76,686
-	264	13,848
3,161	518,603	2,113,154
664,070	996,268	3,371,438
249	235,567	828,142
667,480	2,153,750	6,902,673

213,632	-	213,632
-	400,556	400,556
-	50,911	89,021
-	-	9,200
-	-	1,777,404
-	2,085,326	1,498,076
-	746,617	(220,046)
213,632	3,283,410	3,767,843
\$ 881,112	\$ 5,437,160	\$ 10,670,516

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)		\$ 3,767,843
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.		27,144,142
Internal service funds are used by management to fund and maintain the City's medical/flex costs provided to user departments and are included in the statement of net assets.		(13,753)
Assets such as notes receivables and property taxes are not available to pay for current period expenditures and therefore are deferred in the funds.		828,142
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		99,748
Accrued interest expense from the balance sheet that require current financial resources from governmental activities.		(6,793)
Other Post Employment Benefits not due and payable in the current period and therefore are not reported in the funds		
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		89,783
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	\$ (2,705,000)	
Revenue Bonds	(2,153,149)	
Compensated Absences	(263,239)	
		(5,121,388)
Total Net Assets - Governmental Activities (page 12)		<u>\$ 26,787,724</u>

CITY OF WEBSTER CITY, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2010

	General	Child Care Center	Second Street Reconstruction
Revenue:			
Taxes	\$ 1,911,023	\$ -	\$ -
Special Assessments	-	-	-
Licenses and Permits	117,298	-	-
Intergovernmental Revenue	64,030	-	-
Charges for Services	473,687	-	-
Fines and Forfeits	7,385	-	-
Contributions	11,778	-	-
Refunds/Reimbursements	40,000	-	-
Revenue from Use of Property	143,966	-	-
Interest on Investments	30,546	38,407	-
Miscellaneous	59,904	25,866	-
Total Revenue	2,859,617	64,273	-
Expenditures:			
Public Safety	1,374,381	-	-
Public Works	792,246	-	-
Health and Social Services	35,885	-	-
Culture and Recreation	1,035,045	-	-
Community and Economic Development	125,076	314	-
General Government	188,611	-	-
Capital Projects	-	-	-
Debt Service	-	-	-
Total Expenditures	3,551,244	314	-
Excess (deficiency) of revenues over expenditures	(691,627)	63,959	-
Other financing sources (uses):			
Transfers In	837,606	-	229,915
Transfers Out	(40,193)	(62,192)	-
Total other financing sources (uses)	797,413	(62,192)	229,915
Net Change in Fund Balance	105,786	1,767	229,915
Fund balances (Deficits)- beginning of year	1,718,928	(589,017)	(1,196,578)
Fund balances (Deficits) - end of year	\$ 1,824,714	\$ (587,250)	\$ (966,663)

See Accompanying Notes to Financial Statements

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 721,441	\$ 1,830,232	\$ 4,462,696
1,252	-	1,252
-	-	117,298
-	1,099,104	1,163,134
-	-	473,687
-	-	7,385
-	10,570	22,348
121,968	-	161,968
-	-	143,966
771	7,263	76,987
-	117,436	203,206
845,432	3,064,605	6,833,927
-	422,005	1,796,386
-	667,243	1,459,489
-	-	35,885
-	149,649	1,184,694
-	305,856	431,246
-	30,438	219,049
-	1,186,393	1,186,393
833,279	-	833,279
833,279	2,761,584	7,146,421
12,153	303,021	(312,494)
-	1,030,646	2,098,167
-	(1,314,110)	(1,416,495)
-	(283,464)	681,672
12,153	19,557	369,178
201,479	3,263,853	3,398,665
\$ 213,632	\$ 3,283,410	\$ 3,767,843

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 19)	\$ 369,178
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 1,560,358	
Depreciation expense	<u>(839,316)</u>	721,042

Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain or loss on the disposal of fixed assets. This is the effect on the change in net assets on the statement of activities.	(171,894)
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The effect of the change in prepaid insurance which is not reported in the governmental funds as it is not available to provide current financial resources.	(8,083)
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Governmental funds report economic development notes receivable and property taxes as revenue when it becomes available, but the statement of activities includes these assets as revenue when originally issued.	(35,885)
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Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	3,948
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Governmental funds do not reflect the change in accrued compensated absences as it does not consume current financial resources. The Statement of Activities reflects the change in accrued compensated absences through expenditures.	4,004
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Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities.	(29,440)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The amount by which payments exceeded proceeds in the current year is as follows:	
Repayments of long-term debt	<u>638,768</u> 638,768

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	<u>(16,589)</u>
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Change in net assets of governmental activities (page 14)	<u><u>\$ 1,475,049</u></u>
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CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
June 30, 2010

	Business Type Activities				Governmental Activities
	Water System	Sewer System	Electric System	Total	Internal Service
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 2,438,035	\$ 815,799	\$ 5,019,016	\$ 8,272,850	\$ 73,393
Investments	200,000	35,000	2,550,000	2,785,000	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	184,337	137,746	720,722	1,042,805	-
Accrued Interest	188	-	1,437	1,625	-
Due from Other Funds	-	-	1,623,642	1,623,642	-
Due from Other Governmental Agencies	-	-	3,168	3,168	-
Inventories	61,800	25,466	771,411	858,677	-
Prepaid Assets	18,190	10,097	47,544	75,831	11,435
Restricted Assets:					
Cash and Cash Equivalents	-	410,042	-	410,042	-
Bond Issue Costs	4,547	42,262	-	46,809	-
Total Current Assets	<u>2,907,097</u>	<u>1,476,412</u>	<u>10,736,940</u>	<u>15,120,449</u>	<u>84,828</u>
Non Current Assets					
Land	348,785	53,553	372,528	774,866	-
Construction in Progress	102,569	170,759	101,031	374,359	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	6,105,744	6,713,977	6,882,005	19,701,726	-
Total Noncurrent Assets	<u>6,557,098</u>	<u>6,938,289</u>	<u>7,355,564</u>	<u>20,850,951</u>	<u>-</u>
Total Assets	<u>9,464,195</u>	<u>8,414,701</u>	<u>18,092,504</u>	<u>35,971,400</u>	<u>84,828</u>
LIABILITIES					
Current Liabilities					
Accounts Payable	70,064	187,899	764,996	1,022,959	74,534
Accrued Wages	12,235	12,351	26,162	50,748	-
Other Accrued Expenses	1,565	609	6,302	8,476	-
Customer Deposits	-	-	148,071	148,071	-
Claims Incurred But Not Reported	-	-	-	-	3,034
Payables from Restricted Assets:					
Accrued Revenue Bond Interest	-	10,875	-	10,875	-
Revenue Bonds - Current	-	379,000	-	379,000	-
General Obligation Bonds	55,000	-	-	55,000	-
Total Current Liabilities	<u>138,864</u>	<u>590,734</u>	<u>945,531</u>	<u>1,675,129</u>	<u>77,568</u>
Noncurrent Liabilities:					
Due within one year:					
Compensated Absences and Benefits	24,698	22,084	52,310	99,092	-
Due in more than one year:					
Revenue Bonds Payable	-	2,941,000	-	2,941,000	-
Unamortized Loss on Refunding	-	(20,800)	-	(20,800)	-
General Obligation Bonds	255,000	-	-	255,000	-
Other Post Employment Benefits	1,617	1,720	5,068	8,405	21,013
Compensated Absences and Benefits	23,020	22,024	47,673	92,717	-
Total Noncurrent Liabilities	<u>304,335</u>	<u>2,966,028</u>	<u>105,051</u>	<u>3,375,414</u>	<u>21,013</u>
Total Liabilities	<u>443,199</u>	<u>3,556,762</u>	<u>1,050,582</u>	<u>5,050,543</u>	<u>98,581</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	6,247,098	3,639,089	7,355,564	17,241,751	-
Restricted for:					
Debt Service	-	399,168	-	399,168	-
Unrestricted	2,773,898	819,682	9,686,358	13,279,938	(13,753)
Total Net Assets	<u>\$9,020,996</u>	<u>\$4,857,939</u>	<u>\$17,041,922</u>	<u>\$30,920,857</u>	<u>\$ (13,753)</u>

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended June 30, 2010

	Business Type Activities	
	Water System	Sewer System
Operating Revenues:		
Charges for Services	\$ 2,066,054	\$ 1,463,913
Miscellaneous	3,282	4,579
Reimbursement from Employees/Insurance	-	-
Total Operating Revenue	<u>2,069,336</u>	<u>1,468,492</u>
Operating Expenses:		
General Government	-	-
Operating and Maintenance	1,040,922	941,648
Depreciation	205,949	283,057
Total Operating Expenses	<u>1,246,871</u>	<u>1,224,705</u>
Operating Income (Loss)	822,465	243,787
Non-Operating Income (Expense):		
Interest Income	7,340	5,507
(Loss) on Disposition of Property	(14,868)	(824)
Interest Expense	(19,199)	(143,159)
Total Non-Operating Income (Expenses)	<u>(26,727)</u>	<u>(138,476)</u>
Income (Loss) before Contributions and Transfers	795,738	105,311
Other Financing Sources (Uses)		
Transfers In	-	-
Transfers In (Out)	(71,024)	(70,220)
Total Other Financing Sources (Uses)	<u>(71,024)</u>	<u>(70,220)</u>
Change in Net Assets	724,714	35,091
Net Assets - Beginning	8,026,091	4,672,211
Prior Period Adjustment	270,191	150,637
Net Assets - Beginning, as Restated	<u>8,296,282</u>	<u>4,822,848</u>
Net Assets (Deficit) - Ending	<u>\$ 9,020,996</u>	<u>\$ 4,857,939</u>

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental Activities
Electric System	Total	Internal Service
\$ 11,370,873	\$ 14,900,840	\$ -
101,221	109,082	-
-	-	43,565
<u>11,472,094</u>	<u>15,009,922</u>	<u>43,565</u>
-	-	73,381
9,854,973	11,837,543	-
738,421	1,227,427	-
<u>10,593,394</u>	<u>13,064,970</u>	<u>73,381</u>
878,700	1,944,952	(29,816)
27,380	40,227	376
(22,913)	(38,605)	-
-	(162,358)	-
<u>4,467</u>	<u>(160,736)</u>	<u>376</u>
883,167	1,784,216	(29,440)
78,495	78,495	-
(618,923)	(760,167)	-
<u>(540,428)</u>	<u>(681,672)</u>	<u>-</u>
342,739	1,102,544	(29,440)
16,305,196	29,003,498	15,687
393,987	814,815	-
<u>16,699,183</u>	<u>29,818,313</u>	<u>15,687</u>
<u>\$ 17,041,922</u>	<u>\$ 30,920,857</u>	<u>\$ (13,753)</u>

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2010

	Business Type Activities	
	Water System	Sewer System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 2,018,510	\$ 1,442,935
Cash Paid to Suppliers for Goods and Services	(666,563)	(578,769)
Cash Paid to Employees for Services	(349,334)	(327,546)
Net Cash Provided by Operating Activities	<u>1,002,613</u>	<u>536,620</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(158,531)	(134,741)
Principal Paid on Notes and Bonds	(55,000)	(362,000)
Interest Paid on Notes and Bonds	(19,125)	(131,957)
Net Cash (Used) for Capital and Related Financing Activities	<u>(232,656)</u>	<u>(628,698)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers to Other Funds	(71,024)	(70,220)
Transfers from Other Funds	-	-
Due From (To) Other Governments	-	-
Due From (To) Other Funds	-	-
Net Cash (Used) for Non-Capital Financing Activities	<u>(71,024)</u>	<u>(70,220)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investment Securities	1,000,000	1,075,000
Interest and Dividends on Investments	8,761	8,469
Net Cash Provided for Investing Activities	<u>1,008,761</u>	<u>1,083,469</u>
Net Increase in Cash and Cash Equivalents	1,707,694	921,171
Cash and Cash Equivalents at Beginning of Year	<u>730,341</u>	<u>304,670</u>
Cash and Cash Equivalents at End of Year	<u><u>2,438,035</u></u>	<u><u>1,225,841</u></u>
Cash and Cash Equivalents:		
Unrestricted	2,438,035	815,799
Restricted	-	410,042
	<u><u>\$ 2,438,035</u></u>	<u><u>\$ 1,225,841</u></u>

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental
Electric		Activities
System	Total	Internal
		Service
\$ 12,105,770	\$ 15,567,215	\$ 53,505
(9,329,087)	(10,574,419)	-
(737,016)	(1,413,896)	-
2,039,667	3,578,900	53,505
(91,288)	(384,560)	-
-	(417,000)	-
-	(151,082)	-
(91,288)	(952,642)	-
(618,923)	(760,167)	-
78,495	78,495	-
(908)	(908)	-
551,806	551,806	-
10,470	(130,774)	-
375,000	2,450,000	-
36,406	53,636	376
411,406	2,503,636	376
2,370,255	4,999,120	53,881
2,648,761	3,683,772	19,512
5,019,016	8,682,892	73,393
5,019,016	8,272,850	73,393
-	410,042	-
\$ 5,019,016	\$ 8,682,892	\$ 73,393

(Continued)

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2010

	Business Type Activities	
	Water System	Sewer System
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	<u>\$ 822,465</u>	<u>\$ 243,787</u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	205,949	283,057
(Increase) Decrease in Assets:		
Accounts Receivable	(50,826)	(25,557)
Prepaid Expenses	2,220	722
Inventories	22,722	1,322
Increase (Decrease) in Liabilities		
Accounts Payable	670	26,648
Accrued Wages	465	2,331
Other Accruals	1,384	(1,127)
Accrued Compensated Absences	(2,436)	5,437
Customer Deposits	-	-
Claims Incurred But Not Reported	-	-
Total Adjustments	<u>180,148</u>	<u>292,833</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,002,613</u></u>	<u><u>\$ 536,620</u></u>

Business Type Activities		Governmental
Electric		Activities
Utility	Total	Internal
		Service
\$ 878,700	\$ 1,944,952	\$ (29,816)
738,421	1,227,427	-
626,506	550,123	-
(751)	2,191	-
51,941	75,985	-
(279,064)	(251,746)	55,705
3,330	6,126	-
(1,706)	(1,449)	10,507
15,120	18,121	-
7,170	7,170	-
-	-	17,109
1,160,967	1,633,948	83,321
\$ 2,039,667	\$ 3,578,900	\$ 53,505

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
 COMBINED STATEMENT OF FIDUCIARY NET ASSETS
 Fiduciary Funds
 June 30, 2010

	Totals
ASSETS	
Cash and Cash Equivalents	\$ 23,243
Total Assets	<u>23,243</u>
LIABILITIES	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS	
Unrestricted	23,243
Total Net Assets	<u><u>\$ 23,243</u></u>

CITY OF WEBSTER CITY, IOWA
 COMBINED STATEMENT OF CHANGES IN NET ASSETS
 Fiduciary Funds
 For the Year Ended June 30, 2010

	Totals
Additions	
Investment Income	\$ 100
Deductions	
Culture and Recreation	74
Changes in Net Assets	<u>26</u>
Net Assets Beginning of Year	<u>23,217</u>
Net Assets End of Year	<u><u>\$ 23,243</u></u>

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Webster City, Iowa is a political subdivision of the State of Iowa located in Hamilton County, and was incorporated in 1874, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Council-Manager form of government with the council members elected on a non-partisan basis and administers the following functions as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also has municipal water, sewer, and electric utility systems, which are governed by the City Council.

The City's financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of Webster City, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Webster City, Iowa (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Units

Webster City Airport Commission

The government-wide financial statements include the Webster City Airport Commission ("airport commission") as a component unit. The airport commission is a legally separate organization. The board of the airport commission is appointed by the Webster City City Council. Iowa Statutes provide for circumstances whereby the City can impose their will on the airport commission. The airport commission can create a potential financial benefit to or burden on the City. As a component unit, the airport commission's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2010. Separate financial statements are not issued for the Webster City Airport Commission.

Fuller Trust

The government-wide financial statements include the Fuller Trust as a component unit.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Fuller Trust is a legally separate organization. The board of Fuller Trust is elected by the general public and can provide a financial benefit or burden to the City. As a component unit, the Fuller Trust's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2010. Separate financial statements are not issued for the Fuller Trust.

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Hamilton County Assessors' Conference Board, Hamilton County Emergency Management Commission, and Hamilton County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax, intergovernmental revenues, and other nonexchange revenues are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities. The City's Medical/Flex internal service fund is also classified as a governmental-type activity.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The City first uses restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.
- 2) Special Revenue Fund

Child Care Center – accounts for resources legally restricted to supporting expenditures for the Child Care Center.
- 3) Capital Project Fund

Second Street Reconstruction – accounts for resources and expenditures related to the Second Street reconstruction project.
- 4) Debt Service Fund - Accounts for the accumulation of resources for and the payment of general obligation debt principal, interest and related costs.

The City reports the following major proprietary (enterprise) funds:

The Water Utility is used to account for the operation and maintenance of the City's water system.

The Sewer Utility is used to account for the operation and maintenance of the City's sewer system.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Electric Utility is used to account for the operation and maintenance of the City owned electric system.

In addition, the City reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the city, or to other governmental units, on a cost-reimbursement basis.

Medical/Flex

Private-purpose trust funds are used to report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments.

Joe E. Barr Trust
Edgar Foster Trust
Calvary Cemetery Trust

Zella Silvers Trust
Mulberry Church Trust

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-recovery basis. The City's internal service fund is presented in the proprietary fund financial statements.

Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds, including the airport discretely presented component unit, are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Investments consist of the following:

<u>Type</u>	<u>Method</u>
Nonnegotiable Certificates of Deposit	Cost

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Custodial Credit Risk – the City has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does have a formal investment policy that limits investment maturities (no more than 397 days) as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the City's investments to this risk, is as follows:

Type of Investment	Fair Value	Investment Maturities (In Years)
		Less Than 1 Year
Certificates of Deposit	\$ 4,062,000	\$ 4,062,000

Property Tax Receivable, Including Tax Increment Financing - Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2009. Any county collections on the 2009-2010 tax levy remitted to the City within 60 days subsequent to June 30, 2010, are recorded as property tax revenue.

Customer Accounts and Unbilled Usage – Accounts receivable in the Enterprise Funds includes services billed prior to June 30, 2010 and an estimate of services provided through June 30, 2010 but not billed.

Short-Term Interfund Receivables/Payables - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent certain transactions between funds have not been paid or received as of June 30, 2010, balances of interfund amounts payable or receivable have been

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

recorded as “due to other funds” and “due from other funds”, respectively in the fund financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid items.

Capital Assets - Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of \$5,000 for general capital assets and \$25,000 for infrastructure assets and estimated useful lives in excess of one year. Depreciation expense is calculated using the straight-line method over the following useful lives:

Buildings	39 – 150 Years
Utility Plant	25 – 90 Years
Machinery & Equipment	3 - 30 Years
Infrastructure	20– 100 Years
Land Improvements	50– 100 Years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of uncollected notes receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick-leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statement. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund Transactions - Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the community and economic development function.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2010, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or by a multiple financial institution

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS – (Continued)

collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Deposits at June 30, 2010, are shown below:

	Primary Government	Private Purpose Trust Fund	Fuller Trust Component Unit	Fair Value
Demand Deposits	\$ 12,922,557	\$ 23,243	\$ 68,527	\$13,014,327
Cash on Hand	1,000	-	-	1,000
Time Deposits	4,062,000	-	50,692	4,112,692
	<u>\$ 16,985,557</u>	<u>\$ 23,243</u>	<u>\$ 119,219</u>	<u>\$17,128,019</u>

Fuller Trust – Discretely Presented Component Unit:

Custodial Credit Risk: This is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Fuller Trust funds do not have custodial credit risk policies for investments.

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Fuller Trust does not have a formal investment policy that limits investment maturities (no more than 397 days) as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the Fuller Trust's investments to this risk is as follows:

Type of Investment	Fair Value	Investment Maturities (In Years)	
		Less Than 1 Year	1 – 5 Years
Mutual Funds	\$ 2,642,846	\$ 2,642,846	\$ -
Preferred Stocks	107,650	107,650	-
U.S. Gov't. Agencies	72,786	72,786	-
Corporate Bonds	51,692	-	51,692
	<u>\$ 2,874,974</u>	<u>\$ 2,823,282</u>	<u>\$ 51,692</u>

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 3 - RECEIVABLES

Receivables at June 30, 2010 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$83,595 at June 30, 2010.

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed.

It is the City's policy to record deferred revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year-end are presented as designated fund balance in the fund financial statements.

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2010, amounts due from other governments were as follows:

Due from the Iowa Department of Revenue for Road Use Tax allocation	\$ 45,268
Due from the Iowa Department of Revenue for State and Federal Grant Projects	214,564
Due from the Iowa Department of Revenue for Local Option Sales taxes	84,241
Total Governmental Funds	<u>344,073</u>
Due from Airport Component Unit to Business-type Activities	3,168
	<u>347,241</u>
Due from Iowa Department of Revenue for State and Federal Grant Projects	
Airport Component Unit	<u>\$ 25,638</u>

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2010, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Electric Fund	Child Care Center	\$ 239,017
Electric Fund	Second Street Reconstruction	966,663
Electric Fund	Nonmajor Governmental	414,801
Electric Fund	Debt Service	3,161
Nonmajor Governmental	Child Care Center	350,000
Nonmajor Governmental	General Fund	35,710
Nonmajor Governmental	Non-Major Governmental	103,802
		<u>\$2,113,154</u>

The purpose of the interfund balances is to help finance short-term cash flow shortages of various funds.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

Governmental Activities	Beginning Balance As Restated	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 3,697,172	\$ 71,924	\$ -	\$ 3,769,096
Right of way	786,799	-	-	786,799
Construction in progress	89,944	1,344,344	912,533	521,755
Total capital assets not being depreciated	4,573,915	1,416,268	912,533	5,077,650
Capital assets being depreciated:				
Land improvements	2,082,426	-	-	2,082,426
Structures and improvements	6,916,060	44,487	4,000	6,956,547
Machinery and equipment	3,897,858	110,044	710,111	3,297,791
Streets	19,177,866	912,533	-	20,090,399
Trails and paths	1,913,927	-	-	1,913,927
Sidewalks	479,152	-	-	479,152
Storm sewers	1,010,771	-	-	1,010,771
Bridges	2,017,993	-	-	2,017,993
Dam	200,000	-	-	200,000
Traffic signals	183,657	-	-	183,657
Total capital assets being depreciated	37,879,710	1,067,064	714,111	38,232,663
Less: Accumulated depreciation for				
Land improvements	187,294	41,302	-	228,596
Structures and improvements	2,665,297	176,545	2,477	2,839,365
Machinery and equipment	2,179,695	168,721	529,300	1,819,116
Streets	9,159,077	357,895	-	9,516,972
Trails and paths	52,731	38,279	-	91,010
Sidewalks	213,125	4,792	-	217,917
Storm sewers	469,423	10,862	-	480,285
Bridges	984,175	26,907	-	1,011,082
Dam	66,667	6,667	-	73,334
Traffic signals	102,847	7,346	-	110,193
Total Accumulated Depreciation	16,080,331	839,316	531,777	16,387,870
Capital Assets, Net of Depreciation	21,799,379	227,748	182,334	21,844,793
Governmental activities capital assets, net	\$ 26,373,294	\$ 1,644,016	\$ 1,094,867	\$ 26,922,443

Construction in progress is related to street projects and airport improvements.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 6 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 31,099
Public Safety	69,588
Public Works, which includes the depreciation of infrastructure	520,477
Culture and Recreation	218,152
	<u>839,316</u>
Total governmental activities - depreciation expense	<u>\$ 839,316</u>

	Beginning Balance As Restated	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 774,866	\$ -	\$ -	\$ 774,866
Construction in Progress	181,245	364,982	171,868	374,359
Total capital assets not being depreciated	<u>956,111</u>	<u>364,982</u>	<u>171,868</u>	<u>1,149,225</u>
Capital assets being depreciated:				
Buildings and improvements	3,465,927	112,672	25,175	3,553,424
Machinery and equipment	6,472,057	158,178	257,730	6,372,505
Utility Plant	52,474,271	41,648	14,313	52,501,606
Total capital assets being depreciated	<u>62,412,255</u>	<u>312,498</u>	<u>297,218</u>	<u>62,427,535</u>
Less: Accumulated Depreciation	41,754,896	1,227,427	256,514	42,725,809
Total capital assets being depreciated, net	<u>20,657,359</u>	<u>(914,929)</u>	<u>40,704</u>	<u>19,701,726</u>
Business-type activities capital assets, net	<u>\$ 21,613,470</u>	<u>\$ (549,947)</u>	<u>\$ 212,572</u>	<u>\$ 20,850,951</u>

Construction in progress at June 30, 2010 consisted of costs associated with the water, wastewater, and electric system improvements.

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-Type Activities:	
Water	\$ 205,949
Sewer	283,057
Electric	738,421
	<u>1,227,427</u>
Total depreciation expense – business-type activities	<u>\$ 1,227,427</u>

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 6 - CAPITAL ASSETS – (Continued)

A summary of changes in capital assets for the discretely presented component unit is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Component Unit:				
Capital assets being depreciated:				
Buildings	\$ 42,000	\$ -	\$ -	\$ 42,000
Total capital assets being depreciated	42,000	-	-	42,000
Less: Accumulated Depreciation	7,980	840	-	8,820
Total capital assets being depreciated, net	\$ 34,020	\$ (840)	\$ -	\$ 33,180

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business-Type Activities	Fuller Trust Component Unit
Land	\$ 4,555,895	\$ 774,866	\$ -
Construction in Progress	521,755	374,359	-
Capital Assets (net of accumulated depreciation)	21,844,793	19,701,726	33,180
Unamortized Loss on Refunding	-	20,800	-
Less: General Obligation Bonds Payable	(2,705,000)	(310,000)	-
Revenue Bonds	(2,153,149)	(3,320,000)	-
Invested in Capital Assets, Net of Related Debt	\$ 22,064,294	\$ 17,241,751	\$ 33,180

Note 7 - LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for both governmental and business-type activities. These bonds are direct obligations and pledge the full faith and credit of the City.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 7 - LONG-TERM DEBT (Continued)

General obligation bonds outstanding as of June 30, 2010 are as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/10	Due Within One Year
Governmental Activities						
General Obligation Debt						
Corporate purpose bonds	07/01/03	06/01/18	1.25 – 3.80%	\$ 1,125,000	\$ 695,000	\$ 70,000
Corporate purpose bonds	03/01/06	06/01/16	3.25 – 3.95%	1,280,000	835,000	125,000
Corporate purpose bonds	11/01/08	06/01/17	1.20 – 3.05%	1,330,000	1,175,000	235,000
Total Governmental Activities – General Obligation Debt					<u>\$ 2,705,000</u>	<u>\$ 430,000</u>
Business-Type Activities						
General Obligation Debt						
Corporate purpose bonds	11/01/08	06/01/17	1.20 – 3.05%	\$ 365,000	<u>\$ 310,000</u>	<u>\$ 55,000</u>

Advance Refunding

On November 1, 2008, the City issued \$1,695,000 of General Obligation Bonds, Series 2009, with an average interest rate of 2.125%. The bonds consist of serial bonds bearing various fixed rates ranging from 1.2% to 3.05% with annual maturities from June 2010 through June 2017.

The net proceeds of \$1,655,275 (after issuance costs of \$39,725) were used to advance refund various series of bonds with a total principal amount of \$1,695,000 and an average interest rate of 4.02%.

The advance refunding was done in order to reduce debt payments in the short-term. The refunding decreased the City's total debt service payments by approximately \$101,000.

Debt service requirements to maturity are as follows:

Years	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 430,000	\$ 82,350	\$ 55,000	\$ 6,275
2012	440,000	71,887	60,000	5,706
2013	455,000	60,096	60,000	4,526
2014	375,000	45,494	65,000	5,016
2015	380,000	33,362	70,000	3,531
2016-2018	625,000	36,815	-	-
Total	<u>\$ 2,705,000</u>	<u>\$ 330,004</u>	<u>\$ 310,000</u>	<u>\$ 25,054</u>

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 7 - LONG-TERM DEBT (Continued)

Revenue Bonds

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service. These funds have been expended on construction of the water treatment and wastewater treatment facilities.

Revenue bonds outstanding at June 30, 2010 are as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/10	Due Within One Year
Governmental Activities Revenue Debt:						
Community Center revenue note	07/01/02	07/01/42	Variable	\$ 2,600,000	<u>\$ 2,153,149</u>	<u>\$ -</u>
Business-Type Activities Revenue Debt:						
<u>Sewer Utility</u>						
Revenue bonds	02/07/00	06/01/20	3.92%	3,900,000	2,320,000	194,000
Revenue bonds	01/10/06	06/01/15	3.30 – 4.10%	1,815,000	1,000,000	185,000
Total Sewer Utility					<u>\$ 3,320,000</u>	<u>\$ 379,000</u>

Debt service requirements to maturity are as follows:

Years	Business-type Activities Revenue Debt	
	Principal	Interest
2011	\$ 379,000	\$ 130,504
2012	392,000	115,869
2013	409,000	100,540
2014	423,000	84,448
2015	446,000	67,702
2016-2020	<u>1,271,000</u>	<u>153,311</u>
Total	<u>\$ 3,320,000</u>	<u>\$ 652,374</u>

A repayment schedule has not been established for the community center revenue note as of June 30, 2010.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 7 - LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation	\$ 3,310,000	\$ -	\$ 605,000	\$ 2,705,000	\$ 430,000
Revenue Bonds	2,186,917	-	33,768	2,153,149	-
Compensated Absences	267,243	263,239	267,243	263,239	134,252
Other Post Employment Benefits	10,506	10,507	-	21,013	-
Governmental Activity Long-Term Liabilities	<u>\$ 5,774,666</u>	<u>\$ 273,746</u>	<u>\$ 906,011</u>	<u>\$ 5,142,401</u>	<u>\$ 564,252</u>
Business-Type Activities:					
Bonds Payable:					
General Obligation	\$ 365,000	\$ 310,000	\$ 365,000	\$ 310,000	\$ 55,000
Revenue Bonds	3,682,000	-	362,000	3,320,000	379,000
Compensated Absences	180,476	191,809	180,476	191,809	99,092
Other Post Employment Benefits	4,203	4,202	-	8,405	-
Business-Type Activity Long-Term Liabilities	<u>\$ 4,231,679</u>	<u>\$ 506,011</u>	<u>\$ 907,476</u>	<u>\$ 3,830,214</u>	<u>\$ 533,092</u>

Note 8 - TRANSFERS

The following is a summary of transfers between funds:

	General	2 nd Street Reconstruction	Electric	Non Major Governmental	Total Transfer Out
General	\$ -	\$ -	\$ -	\$ 40,193	\$ 40,193
Electric	618,923	-	-	-	618,923
Water	71,024	-	-	-	71,024
Sewer	70,220	-	-	-	70,220
Child Care Center	-	-	62,192	-	62,192
Nonmajor Governmental	77,439	229,915	16,303	990,453	1,314,110
Total Transfer In	<u>\$ 837,606</u>	<u>\$ 229,915</u>	<u>\$ 78,495</u>	<u>\$ 1,030,646</u>	<u>\$ 2,176,662</u>

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 9- PENSION AND RETIREMENT

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered payroll except for, fire employees, in which case, the percentages are actuarially determined, and law employees who are covered by another plan. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$169,032, \$156,939, and \$142,324, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa - The City contributes to the Municipal Fire & Police Retirement System of Iowa (MFPRSI) which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees appointed by the State of Iowa. MFPRSI provides retirement and death benefits which are established by State statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate cannot be less than 17.00% of earnable compensation. Contribution requirements are established by State statute. The City's contribution to MFPRSI for the years ended June 30, 2010, 2009 and 2008 were \$137,378, \$144,572, and \$146,558, respectively, which met the required minimum contribution for each year.

Employee Vision and Dental Plan - The City of Webster City Medical/Flex Insurance Fund was established to account for the City's medical and flex benefit plan. Effective September, 1995, the City has entered into an administrative services agreements with Select Benefit Administrators, to administer the employee dental and vision benefit plans. The agreements are subject to automatic renewal provisions.

Monthly payments of service fees and plan contributions to the City of Webster City Medical/Flex Insurance Fund are recorded as disbursements in the operating funds. Under an administrative services agreement, monthly payments of service fees and claims processed were paid to Three Rivers Benefit Corporation and Select Benefit Administrators from the Internal Service Fund, Medical/Flex Insurance Account.

For vision claims, the claims are limited to specified services outlined in the vision plan and the uninsured risk of loss is minimal per employee. For dental claims, the uninsured risk of loss is \$1,000 for a policy year per employee. The City has not purchased additional commercial insurance since claims are limited to the amounts specified in the plan.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 9- PENSION AND RETIREMENT (Continued)

All funds of the City participate in the vision and dental plan. Amounts payable to the medical/flex insurance fund are based on actual claims incurred in prior years.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported. The City does not allocate overhead costs or other nonincremental costs to the claims liability.

Claims Liability

	Prior Year	Current Year
Unpaid claims, beginning of fiscal year	\$ 1,783	\$ 2,966
Current year claims and changes in estimates	30,520	34,400
Claim payments	(29,337)	(34,332)
Unpaid claims, end of fiscal year	<u>\$ 2,966</u>	<u>\$ 3,034</u>

Note 10 - DEFICIT FUND EQUITY

The City has six funds with deficit equity balances at June 30, 2010. The City intends to finance these deficits from various resources including; TIF Receipts, fund transfers, and note payments.

The individual fund deficits were as follows:

Child Care Center	\$ 587,250
Second Street Reconstruction	966,663
Flood Acquisition	5,177
City Hall Plaza	155
Southwest TIF	398,008
Southeast TIF	25,938

Note 11- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks, with the exception of vision and dental care, are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

Note 12- COMMITMENTS

During the year ended June 30, 2010, the City had entered into several construction contracts totaling approximately \$1,582,000 of which approximately \$582,000 has been expended to date. The remaining balance will be paid as work progresses.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 13 - CONTINGENCY

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of the management and the City attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

The City has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The City of Webster City has entered into several development agreements with developers.

The developers are constructing industrial/commercial facilities on property located in the City. Chapter 403 of the Code of Iowa authorizes cities to establish urban renewal areas and to undertake economic development projects. In recognition of the developers' commitment, the City agreed to make economic tax rebate payments to the developer during the term of the agreements in amounts which represent the property taxes paid with respect to the project by the developers in that fiscal year, minus the amount of debt service taxes levied by taxing jurisdictions, provided, however, that the total rebate payments during the term of the agreement do not exceed the maximum amounts listed.

The agreement assumes that the full taxable value of the project will go on the property tax rolls as of the dates listed below. All tax rebate payments will be made on December 1, and June 1 beginning the year after the initial incremental taxable value is placed on the property tax roll. The tax rebate payments shall not constitute general obligation of the City, but shall be paid solely and only from incremental property taxes received by the City from the Hamilton County Treasurer which are attributable to each individual project.

The tax rebate payments to the developer are subject to the following conditions:

1. Timely payment of property taxes by the developer when due and submission to the City of a receipt or cancelled check as evidence of each tax payment. Residential developers are not required to submit receipts.
2. Submission of documentation satisfactory to the City, at least one week prior to each December 1 and June 1 payment date, that that project is being used as a commercial facility.

Note 14 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009.

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 69 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 14 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The medical/prescription drug coverage is provided through a fully-insured plan with Principal Financial Group. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 14,709
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual OPEB cost	14,709
Contributions made	-
	<hr/>
Increase in net OPEB obligation	14,709
Net OPEB obligation beginning of year	14,709
	<hr/>
Net OPEB obligation end of year	<u>\$ 29,418</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 14,709	0%	\$ 14,709
June 30, 2010	\$ 14,709	0%	\$ 29,418

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$154,918, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$154,918. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,925,000 and the ratio of the UAAL to covered payroll was 5.2%. As of June 30, 2010, there were no trust fund assets.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2010

Note 14 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. This is a pay as you go plan implemented this year therefore there is no schedule of funding progress presented.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4% discount rate based on the City's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate rate.

Mortality rates are from the RP2000 Combined Mortality Table, projected to 2010 using Scale AA. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$626 per month for retirees less than age 65 and \$360 per month for retirees who have attained age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 15 PRIOR PERIOD ADJUSTMENT

In the financial statements for the year ended June 30, 2009, \$372,295 of general government capital assets were inadvertently omitted from the government wide statement of net assets, thus understating net assets invested in capital assets net of related debt by \$372,295.

In the business-type activities \$814,815 of capital assets were inadvertently omitted from the proprietary funds combining statement of net assets and government wide statement of net assets, thus understating net assets invested in capital assets net of related debt by \$814,815.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEBSTER CITY, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
Governmental Funds and Proprietary Funds
For the Year Ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Taxes	\$ 4,529,217	\$ -
Special Assessments	1,252	-
Licenses and Permits	117,298	-
Intergovernmental Revenue	1,119,589	-
Charges for Services	486,108	15,567,215
Revenue from Use of Property	261,097	53,635
Miscellaneous	342,836	-
Total Revenue	<u>6,857,397</u>	<u>15,620,850</u>
Disbursements:		
Public Safety	1,874,503	-
Public Works	1,469,547	-
Health and Social Services	33,411	-
Culture and Recreation	1,133,860	-
Community and Economic Development	493,170	-
General Government	265,556	-
Capital Projects	933,138	-
Debt Service	833,279	-
Business-Type Activities	-	12,941,865
Total Expenditures	<u>7,036,464</u>	<u>12,941,865</u>
Excess (deficiency) of receipts over disbursements	<u>(179,067)</u>	<u>2,678,985</u>
Other financing sources (uses):		
Proceeds from Sale of Capital Assets	-	50,000
Transfers In	2,090,667	78,495
Transfers Out	1,408,995	(760,167)
Total other financing sources (uses)	<u>3,499,662</u>	<u>(631,672)</u>
Net Change in Balances	3,320,595	2,047,313
Balances - beginning of year	3,391,421	11,044,221
Balances - end of year	<u>\$ 6,712,016</u>	<u>\$ 13,091,534</u>

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 4,529,217	\$ 4,439,016	\$ 4,439,016	\$ 90,201
1,252	1,252	1,252	-
117,298	43,917	43,917	73,381
1,119,589	1,208,179	1,208,179	(88,590)
16,053,323	17,962,464	17,962,464	(1,909,141)
314,732	839,767	466,557	(151,825)
342,836	299,234	299,234	43,602
<u>22,478,247</u>	<u>24,793,829</u>	<u>24,420,619</u>	<u>(1,942,372)</u>
1,874,503	1,920,723	1,920,723	46,220
1,469,547	1,698,950	1,698,950	229,403
33,411	63,942	63,942	30,531
1,133,860	1,159,641	1,159,641	25,781
493,170	335,737	412,730	(80,440)
265,556	460,288	460,288	194,732
933,138	1,049,163	1,296,833	363,695
833,279	855,493	855,493	22,214
12,941,865	16,116,535	16,116,535	3,174,670
<u>19,978,329</u>	<u>23,660,472</u>	<u>23,985,135</u>	<u>4,006,806</u>
<u>2,499,918</u>	<u>1,133,357</u>	<u>435,484</u>	<u>2,064,434</u>
50,000	-	-	50,000
2,169,162	2,877,382	3,090,163	(921,001)
648,828	(2,877,382)	(3,090,163)	3,738,991
<u>2,867,990</u>	<u>-</u>	<u>-</u>	<u>2,867,990</u>
5,367,908	1,133,357	435,484	4,932,424
14,435,642	14,435,642	14,435,642	-
<u>\$ 19,803,550</u>	<u>\$ 15,568,999</u>	<u>\$ 14,871,126</u>	<u>\$ 4,932,424</u>

CITY OF WEBSTER CITY, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
For the Year Ended June 30, 2010

	Cash Basis	Accrual Adjustments	Modified/Full Accrual Basis
Revenue:			
Taxes	\$ 4,529,217	\$ (66,521)	\$ 4,462,696
Special Assessments	1,252	-	1,252
Licenses and Permits	117,298	-	117,298
Intergovernmental Revenue	1,119,589	43,545	1,163,134
Charges for Services	16,053,323	(569,714)	15,483,609
Fines and Forfeits		7,385	7,385
Contributions		22,348	22,348
Refunds/Reimbursements		161,968	161,968
Revenue from Use of Property	314,732	(53,552)	261,180
Miscellaneous	342,836	(139,630)	203,206
Total Revenue	<u>22,478,247</u>	<u>(594,171)</u>	<u>21,884,076</u>
Expenditures/Expenses:			
Public Safety	1,874,503	(78,117)	1,796,386
Public Works	1,469,547	(10,058)	1,459,489
Health and Social Services	33,411	2,474	35,885
Culture and Recreation	1,133,860	50,834	1,184,694
Community and Economic Development	493,170	(61,924)	431,246
General Government	265,556	(46,507)	219,049
Capital Projects	933,138	253,255	1,186,393
Debt Service	833,279	-	833,279
Business-Type Activities	12,941,865	285,463	13,227,328
Total Expenditures/Expenses	<u>19,978,329</u>	<u>395,420</u>	<u>20,373,749</u>
Excess (Deficiency) of Revenues Over Expenditures/Expenses	<u>2,499,918</u>	<u>(989,591)</u>	<u>1,510,327</u>
Other financing sources (uses):			
Proceeds from Sale of Capital Assets	50,000	(88,605)	(38,605)
Transfers In	2,169,162	-	2,169,162
Transfers Out	(2,169,162)	-	(2,169,162)
Total other financing sources (uses)	<u>50,000</u>	<u>(88,605)</u>	<u>(38,605)</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures/Expenses and Other (Uses)	<u>2,549,918</u>	<u>(1,078,196)</u>	<u>1,471,722</u>
Fund Balance/Retained Earnings - beginning of year	<u>14,435,642</u>	<u>18,781,336</u>	<u>33,216,978</u>
Fund Balance/Retained Earnings - end of year	<u>\$ 16,985,560</u>	<u>\$ 17,703,140</u>	<u>\$ 34,688,700</u>

CITY OF WEBSTER CITY, IOWA
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds and the Internal Service Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end. During the year one budget amendment was adopted decreasing budgeted receipts by \$160,429 and increasing budgeted disbursements by \$537,444.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department.

During the fiscal year ended June 30, 2010, disbursements exceeded the amounts budgeted in the Community and Economic Development function.

CITY OF WEBSTER CITY, IOWA
Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Approximate Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	-	\$ 154,918	\$ 154,918	0.00%	\$2,925,000	5.2%
July 1, 2010	-	\$ 154,918	\$ 154,918	0.00%	\$2,925,000	5.2%

See Note 14 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

CITY OF WEBSTER CITY, IOWA
 COMBINING BALANCE SHEET
 Governmental Nonmajor Funds
 June 30, 2010

	Special Revenue Funds		
	FICA/ IPERS	Worker's Compensation	Medical/Flex Insurance
Assets			
Cash and Cash Equivalents	\$ 174,065	\$ 79,909	\$ 192,083
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Taxes	1,606	663	3,379
Subsequent Year Taxes	139,951	59,193	311,635
Accrued Interest	-	-	-
Notes Receivable	-	-	-
Due from Other Funds	-	176	920
Due from Other Governmental Agencies	-	-	-
Inventories	-	-	-
Total Assets	315,622	139,941	508,017
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	-	3,330	-
Accrued Wages	-	-	-
Other Accrued Expenses	-	-	-
Due to Other Funds	1,515	-	-
Deferred Revenue - Subsequent Year Taxes	139,951	59,193	311,635
Deferred Revenue	-	-	-
Total Liabilities	141,466	62,523	311,635
Fund Balances:			
Reserved for:			
Perpetual Care	-	-	-
Inventories	-	-	-
Unreserved	174,156	77,418	196,382
Total Fund Balances	174,156	77,418	196,382
Total Liabilities and Equity	\$ 315,622	\$ 139,941	\$ 508,017

Special Revenue Funds							
Unemployment Compensation	Road Use Tax	Police/Fire Retirement	DARE	Seized Property	K9 Trust	Economic Development Loan	
\$ 29,828	\$ 512,885	\$ 58,121	\$ 2,022	\$ 4,431	\$ 74	\$ 738,103	
-	77,000	-	-	-	-	350,000	
152	-	1,418	-	-	-	-	
4,871	-	164,180	-	-	-	-	
-	-	-	-	-	-	96	
-	-	-	-	-	-	137,567	
42	35,710	376	-	-	-	101,376	
-	45,268	-	-	-	-	-	
-	50,911	-	-	-	-	-	
34,893	721,774	224,095	2,022	4,431	74	1,327,142	
-	71,719	-	-	-	-	-	
-	8,851	-	-	-	-	-	
-	264	-	-	-	-	-	
-	-	-	-	-	-	912	
4,871	-	164,180	-	-	-	-	
-	-	317	-	-	-	137,567	
4,871	80,834	164,497	-	-	-	138,479	
-	-	-	-	-	-	-	
-	50,911	-	-	-	-	-	
30,022	590,029	59,598	2,022	4,431	74	1,188,663	
30,022	640,940	59,598	2,022	4,431	74	1,188,663	
\$ 34,893	\$ 721,774	\$ 224,095	\$ 2,022	\$ 4,431	\$ 74	\$ 1,327,142	

CITY OF WEBSTER CITY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
June 30, 2010

	Special Revenue Funds			
	WC Comm Rehabilitation Revolving Loan	Urban Renewal TIF Gourley	Urban Renewal TIF Riverview	Urban Renewal TIF Hy-Vee
Assets				
Cash and Pooled Investments	\$ 54,372	\$ -	\$ -	\$ -
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Taxes	-	-	-	-
Subsequent Year Taxes	-	14,784	141,483	44,222
Accrued Interest	40	-	-	-
Notes Receivable	97,683	-	-	-
Due from Other Funds	912	-	-	-
Due from Other Governmental Agencies	-	-	-	-
Inventories	-	-	-	-
Total Assets	153,007	14,784	141,483	44,222
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	-	-	-	-
Accrued Wages	-	-	-	-
Other Accrued Expenses	-	-	-	-
Due to Other Funds	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	14,784	141,483	44,222
Deferred Revenue	97,683	-	-	-
Total Liabilities	97,683	14,784	141,483	44,222
Fund Balances:				
Reserved for:				
Perpetual Care	-	-	-	-
Inventories	-	-	-	-
Unreserved	55,324	-	-	-
Total Fund Balances	55,324	-	-	-
Total Liabilities and Equity	\$ 153,007	\$ 14,784	\$ 141,483	\$ 44,222

Special Revenue Funds					
Urban Renewal TIF Brewer Creek	SSMID	Urban Renewal TIF Struchen	Urban Renewal TIF West Second	Urban Renewal TIF Mitchell Marine	
\$ 64,179	\$ 19,842	\$ -	\$ 43,927	\$ -	
-	-	-	-	-	
-	-	-	-	-	
-	8,866	45,129	-	4,065	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
64,179	28,708	45,129	43,927	4,065	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	8,866	45,129	-	4,065	
-	-	-	-	-	
-	8,866	45,129	-	4,065	
-	-	-	-	-	
-	-	-	-	-	
64,179	19,842	-	43,927	-	
64,179	19,842	-	43,927	-	
\$ 64,179	\$ 28,708	\$ 45,129	\$ 43,927	\$ 4,065	

CITY OF WEBSTER CITY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
June 30, 2010

	Special Revenue Funds			
	Urban Renewal TIF Vantec	Urban Renewal TIF Southeast	Urban Renewal TIF Southwest	Urban Renewal TIF New Castle
Assets				
Cash and Pooled Investments	\$ -	\$ 75,438	\$ -	\$ -
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Taxes	-	-	-	-
Subsequent Year Taxes	-	-	4,396	53,493
Accrued Interest	-	-	-	-
Notes Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-
Inventories	-	-	-	-
Total Assets	<u>-</u>	<u>75,438</u>	<u>4,396</u>	<u>53,493</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	-	-	-	-
Accrued Wages	-	-	-	-
Other Accrued Expenses	-	-	-	-
Due to Other Funds	-	101,376	398,008	-
Deferred Revenue - Subsequent Year Taxes	-	-	4,396	53,493
Deferred Revenue	-	-	-	-
Total Liabilities	<u>-</u>	<u>101,376</u>	<u>402,404</u>	<u>53,493</u>
Fund Balances:				
Reserved for:				
Perpetual Care	-	-	-	-
Inventories	-	-	-	-
Unreserved	-	(25,938)	(398,008)	-
Total Fund Balances	<u>-</u>	<u>(25,938)</u>	<u>(398,008)</u>	<u>-</u>
Total Liabilities and Equity	<u>\$ -</u>	<u>\$ 75,438</u>	<u>\$ 4,396</u>	<u>\$ 53,493</u>

Special Revenue Funds			Capital Project Funds		
Wilson Brewer Park Depot	Webster City Pride	Flood Acquisition	Brewer Creek Estates	Boone River Trail	Wilson Ave Bridge Improvements
\$ 846	\$ 12,888	\$ -	\$ 22,622	\$ -	\$ 6,203
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	16,687	-	-	-
-	-	-	-	-	-
846	12,888	16,687	22,622	-	6,203
-	5,352	5,072	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	16,792	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	5,352	21,864	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
846	7,536	(5,177)	22,622	-	6,203
846	7,536	(5,177)	22,622	-	6,203
\$ 846	\$ 12,888	\$ 16,687	\$ 22,622	\$ -	\$ 6,203

CITY OF WEBSTER CITY, IOWA
 COMBINING BALANCE SHEET
 Governmental Nonmajor Funds
 June 30, 2010

	Capital Project Funds			
	1999 Sidewalk Improvements	Annual Street Maintenance	Superior Fairmeadow Traffic Signal	Capital Improvement Reserve
Assets				
Cash and Pooled Investments	\$ 54,693	\$ 26,227	\$ 112,131	\$ 201,051
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Taxes	-	-	-	-
Subsequent Year Taxes	-	-	-	-
Accrued Interest	-	-	-	147
Notes Receivable	-	-	-	-
Due from Other Funds	-	-	-	350,000
Due from Other Governmental Agencies	-	-	197,877	84,241
Inventories	-	-	-	-
Total Assets	54,693	26,227	310,008	635,439
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	-	3,210	305,359	-
Accrued Wages	-	-	-	-
Other Accrued Expenses	-	-	-	-
Due to Other Funds	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	-	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	-	3,210	305,359	-
Fund Balances:				
Reserved for:				
Perpetual Care	-	-	-	-
Inventories	-	-	-	-
Unreserved	54,693	23,017	4,649	635,439
Total Fund Balances	54,693	23,017	4,649	635,439
Total Liabilities and Equity	\$ 54,693	\$ 26,227	\$ 310,008	\$ 635,439

Capital Project Funds		Permanent		Total
Railroad Crossing Bicentennial	City Hall Plaza	Perpetual Care Fund	Governmental Nonmajor Funds	
\$ 149	\$ -	\$ 400,556	\$ 2,886,645	
-	-	-	427,000	
-	-	-	7,218	
-	-	-	996,268	
-	-	-	283	
-	-	-	235,250	
-	-	-	489,512	
-	-	-	344,073	
-	-	-	50,911	
149	-	400,556	5,437,160	
-	155	-	394,197	
-	-	-	8,851	
-	-	-	264	
-	-	-	518,603	
-	-	-	996,268	
-	-	-	235,567	
-	155	-	2,153,750	
-	-	400,556	400,556	
-	-	-	50,911	
149	(155)	-	2,831,943	
149	(155)	400,556	3,283,410	
\$ 149	\$ -	\$ 400,556	\$ 5,437,160	

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2010

	Special Revenue Funds		
	FICA/ IPERS	Worker's Compensation	Medical/Flex Insurance
Revenue:			
Taxes	\$ 202,439	\$ 65,987	\$ 338,497
Intergovernmental Revenue	-	-	-
Contributions	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total Revenue	202,439	65,987	338,497
Expenditures:			
Public Safety	42,448	50,001	185,718
Public Works	47,890	15,961	55,905
Culture and Recreation	65,417	14,872	67,489
Community and Economic Development	12,140	1,236	17,029
General Government	8,172	257	21,839
Capital Projects	-	-	-
Total Expenditures	176,067	82,327	347,980
Excess (deficiency) of revenues over expenditures	26,372	(16,340)	(9,483)
Other financing sources (uses):			
Transfers In	-	-	-
Transfers Out	-	-	-
Total other financing sources (uses)	-	-	-
Net Change in Fund Balance	26,372	(16,340)	(9,483)
Fund balances (deficits) -beginning of year	147,784	93,758	205,865
Fund balances (deficits) - end of year	\$ 174,156	\$ 77,418	\$ 196,382

Special Revenue Funds						
Unemployment Compensation	Road Use Tax	Police/Fire Retirement	DARE	Seized Property	K9 Trust	Economic Development Loan
\$ 15,264	\$ -	\$ 141,920	\$ -	\$ -	\$ -	\$ -
-	748,340	-	-	-	-	-
-	-	-	1,400	-	-	-
-	-	-	-	-	-	5,613
-	-	-	-	1,568	-	40,837
15,264	748,340	141,920	1,400	1,568	-	46,450
3,362	-	138,758	1,718	-	-	-
1,088	546,399	-	-	-	-	-
1,716	-	-	-	-	-	-
440	-	-	-	-	-	34,462
170	-	-	-	-	-	-
-	-	-	-	-	-	-
6,776	546,399	138,758	1,718	-	-	34,462
8,488	201,941	3,162	(318)	1,568	-	11,988
-	-	-	-	-	-	22,748
-	(73,994)	-	-	-	-	-
-	(73,994)	-	-	-	-	22,748
8,488	127,947	3,162	(318)	1,568	-	34,736
21,534	512,993	56,436	2,340	2,863	74	1,153,927
\$ 30,022	\$ 640,940	\$ 59,598	\$ 2,022	\$ 4,431	\$ 74	\$ 1,188,663

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2010

	Special Revenue Funds			
	WC Comm Rehabilitation Revolving Loan	Urban Renewal TIF Gourley	Urban Renewal TIF Riverview	Urban Renewal TIF Hy-Vee
Revenue:				
Taxes	\$ -	\$ 16,479	\$ 231,150	\$ 48,549
Intergovernmental Revenue	-	-	-	-
Contributions	-	-	-	-
Interest	1,503	-	-	-
Miscellaneous	15,063	-	-	-
Total Revenue	16,566	16,479	231,150	48,549
Expenditures:				
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Community and Economic Development	6,414	10,823	-	48,549
General Government	-	-	-	-
Capital Projects	-	-	-	-
Total Expenditures	6,414	10,823	-	48,549
Excess (deficiency) of revenues over expenditures	10,152	5,656	231,150	-
Other financing sources (uses):				
Transfers In	-	-	-	-
Transfers Out	-	(5,656)	(232,757)	-
Total other financing sources (uses)	-	(5,656)	(232,757)	-
Net Change in Fund Balance	10,152	-	(1,607)	-
Fund balances (deficits) -beginning of year	45,172	-	1,607	-
Fund balances (deficits) - end of year	\$ 55,324	\$ -	\$ -	\$ -

Special Revenue Funds					
Urban Renewal TIF Brewer Creek	SSMID	Urban Renewal TIF Struchen	Urban Renewal TIF West Second	Urban Renewal TIF Mitchell Marine	
\$ -	\$ 8,831	\$ 45,778	\$ -	\$ -	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	8,831	45,778	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	5,677	29,828	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	5,677	29,828	-	-	-
-	3,154	15,950	-	-	-
-	2,841	-	-	-	-
-	-	(15,950)	-	-	-
-	2,841	(15,950)	-	-	-
-	5,995	-	-	-	-
64,179	13,847	-	43,927	-	-
\$ 64,179	\$ 19,842	\$ -	\$ 43,927	\$ -	-

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2010

	Special Revenue Funds			
	Urban Renewal TIF Vantec	Urban Renewal TIF Southeast	Urban Renewal TIF Southwest	Urban Renewal TIF New Castle
Revenue:				
Taxes	\$ 1,598	\$ 1,361	\$ 12,553	\$ 60,221
Intergovernmental Revenue	-	-	-	-
Contributions	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	50,000	-	-
Total Revenue	1,598	51,361	12,553	60,221
Expenditures:				
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Community and Economic Development	1,589	-	-	60,221
General Government	-	-	-	-
Capital Projects	-	-	-	-
Total Expenditures	1,589	-	-	60,221
Excess (deficiency) of revenues over expenditures	9	51,361	12,553	-
Other financing sources (uses):				
Transfers In	-	-	3,750	-
Transfers Out	(9)	(1,143)	(16,303)	-
Total other financing sources (uses)	(9)	(1,143)	(12,553)	-
Net Change in Fund Balance	-	50,218	-	-
Fund balances (deficits) -beginning of year	-	(76,156)	(398,008)	-
Fund balances (deficits) - end of year	\$ -	\$ (25,938)	\$ (398,008)	\$ -

Special Revenue Funds			Capital Project Funds		
Wilson Brewer Park Depot	Webster City Pride	Flood Acquisition	Brewer Creek Estates	Boone River Trail	Wilson Ave Bridge Improvements
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	66,747	-	5,057	-
-	9,170	-	-	-	-
-	-	-	-	-	-
-	1,290	-	-	3,337	-
-	10,460	66,747	-	8,394	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	5,524	71,924	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	5,524	71,924	-	-	-
-	4,936	(5,177)	-	8,394	-
-	-	-	-	36,443	-
-	-	-	-	-	-
-	-	-	-	36,443	-
-	4,936	(5,177)	-	44,837	-
846	2,600	-	22,622	(44,837)	6,203
\$ 846	\$ 7,536	\$ (5,177)	\$ 22,622	\$ -	\$ 6,203

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2010

	Capital Project Funds			
	1999 Sidewalk Improvements	Annual Street Maintenance	Superior Fairmeadow Traffic Signal	Capital Improvement Reserve
Revenue:				
Taxes	\$ -	\$ -	\$ -	\$ 639,605
Intergovernmental Revenue	-	-	278,960	-
Contributions	-	-	-	-
Interest	-	-	-	147
Miscellaneous	-	-	-	-
Total Revenue	-	-	278,960	639,752
Expenditures:				
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Community and Economic Development	-	-	-	-
General Government	-	-	-	-
Capital Projects	16,701	729,513	439,767	412
Total Expenditures	16,701	729,513	439,767	412
Excess (deficiency) of revenues over expenditures	(16,701)	(729,513)	(160,807)	639,340
Other financing sources (uses):				
Transfers In	17,131	760,200	187,533	-
Transfers Out	-	-	-	(964,864)
Total other financing sources (uses)	17,131	760,200	187,533	(964,864)
Net Change in Fund Balance	430	30,687	26,726	(325,524)
Fund balances (deficits) -beginning of year	54,263	(7,670)	(22,077)	960,963
Fund balances (deficits) - end of year	\$ 54,693	\$ 23,017	\$ 4,649	\$ 635,439

Capital Project Funds		Permanent	Total
Railroad Crossing Bicentennial	City Hall Plaza	Perpetual Care Fund	Governmental Nonmajor Funds
\$ -	\$ -	\$ -	\$ 1,830,232
-	-	-	1,099,104
-	-	-	10,570
-	-	-	7,263
-	-	5,341	117,436
-	-	5,341	3,064,605
-	-	-	422,005
-	-	-	667,243
-	155	-	149,649
-	-	-	305,856
-	-	-	30,438
-	-	-	1,186,393
-	155	-	2,761,584
-	(155)	5,341	303,021
-	-	-	1,030,646
-	(3,434)	-	(1,314,110)
-	(3,434)	-	(283,464)
-	(3,589)	5,341	19,557
149	3,434	395,215	3,263,853
\$ 149	\$ (155)	\$ 400,556	\$ 3,283,410

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds
June 30, 2010

	Joe E. Barr Trust	Edgar Foster Trust	Calvary Cemetery Trust	Zella Silvers Trust	Mulberry Church Trust	Totals
ASSETS						
Cash and Cash Equivalents	\$ 1,876	\$ 2,164	\$ 5,000	\$ 3,153	\$ 11,050	\$ 23,243
Total Assets	1,876	2,164	5,000	3,153	11,050	23,243
LIABILITIES						
	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-
NET ASSETS						
Unrestricted	1,876	2,164	5,000	3,153	11,050	23,243
Total Net Assets	\$ 1,876	\$ 2,164	\$ 5,000	\$ 3,153	\$ 11,050	\$ 23,243

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF CHANGES IN NET ASSETS
Fiduciary Funds
For the Year Ended June 30, 2010

	Joe E. Barr Trust	Edgar Foster Trust	Calvary Cemetery Trust	Zella Silvers Trust	Mulberry Church Trust	Totals
Additions						
Investment Income	\$ -	\$ -	\$ -	\$ -	\$ 100	\$ 100
Deductions						
Culture and Recreation	24	25	-	25	-	74
Changes in Net Assets	(24)	(25)	-	(25)	100	26
Net Assets Beginning of Year	1,900	2,189	5,000	3,178	10,950	23,217
Net Assets End of Year	<u>\$ 1,876</u>	<u>\$ 2,164</u>	<u>\$ 5,000</u>	<u>\$ 3,153</u>	<u>\$ 11,050</u>	<u>\$ 23,243</u>

SUPPLEMENTARY INFORMATION

CITY OF WEBSTER CITY, IOWA
Schedule of Findings
For the Year Ended June 30, 2010

Part I: Summary of the Independent Auditors' Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Significant Deficiencies:

II-A-10 Financial Reporting

Observation - During the audit, we identified material amounts of receivables and payables not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables and payables are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid any missing receivables and payables.

Conclusion – Response accepted.

Part III: Other Findings Related to Statutory Reporting:

III-A-10 - Certified Budget – Disbursements during the year ended June 30, 2010, exceeded the amounts budgeted in the community and economic development function.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

CITY OF WEBSTER CITY, IOWA
Schedule of Findings
For the Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

- IV-B-10 - Questionable Expenditures - We noted no questionable expenditures during our audit.
- IV-C-10 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-10 - Business Transactions – There were no business transactions between the City and City officials identified during the audit.
- IV-E-10 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-10 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.
- IV-G-10 - Revenue Bonds - No violations of revenue bond resolutions were noted.
- IV-H-10 - Cash and Investments - We noted noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy. Deposits held by one financial institution exceeded the maximum deposit limit of \$12,000,000, which was approved by a written resolution.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, Members of the City Council
City of Webster City, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of the CITY OF WEBSTER CITY, IOWA as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 26, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the City of Webster City, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Webster City, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Webster City, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item II-A-10 to be a material weakness.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City of Webster City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do

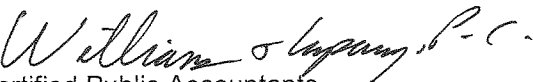
not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Webster City, Iowa's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Webster City, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of management, City Council, others within the entity, and is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.


Certified Public Accountants

January 26, 2011
Le Mars, Iowa